

FINAL BILL REPORT

SB 5857

C 86 L 05

Synopsis as Enacted

Brief Description: Authorizing a business and occupation tax deduction for certain nonprofit community health centers.

Sponsors: Senators Prentice and Kohl-Welles.

Senate Committee on Ways & Means

House Committee on Finance

Background: Washington's major business tax is the business and occupation (B&O) tax. This tax is imposed on the gross receipts of business activities conducted within the state. Nonprofit organizations pay B&O tax unless specifically exempted by statute. Exemption from federal income tax does not automatically provide exemption from state taxes.

Nonprofit health and social welfare organizations are allowed a deduction under the B&O tax for payments directly from governmental entities for health or social services. Examples include: health care; family and drug counseling; services for the sick, elderly, and disabled; day care; vocational training and employment services; legal services for the indigent; and services for low-income homeowners and renters. This exemption has been construed to apply to Medicaid and Medicare payments. In addition, nonprofit hospitals and public hospitals are allowed a deduction under the B&O tax for amounts received as compensation for health care services covered under medicare, medical assistance, children's health, or the basic health plan. This deduction does not apply to patient copayments or deductibles.

Summary: The tax deduction available to nonprofit hospitals and public hospitals for amounts received as compensation for health care services covered under medicare, medical assistance, children's health, or the basic health plan is extended to nonprofit community health centers and networks of nonprofit community health centers.

"Community health center" is defined as a federally qualified health center as defined in 42 U.S.C. 1396d as existing on the effective date of this act.

Votes on Final Passage:

Senate	46	0
House	94	0

Effective: August 1, 2005